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WATCHDOG

State's top insurance regulator accepted tens of thousands of dollars from industry executives, records show



Newly elected California Insurance Commissioner Ricardo Lara has accepted at least \$54,000 in recent months from insurance company executives and their spouses, a review of campaign disclosures by The San Diego Union-Tribune has found. (Gary Coronado / Los Angeles Times)

By JEFF McDONALD

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JULY 7, 2019 | 5 AM



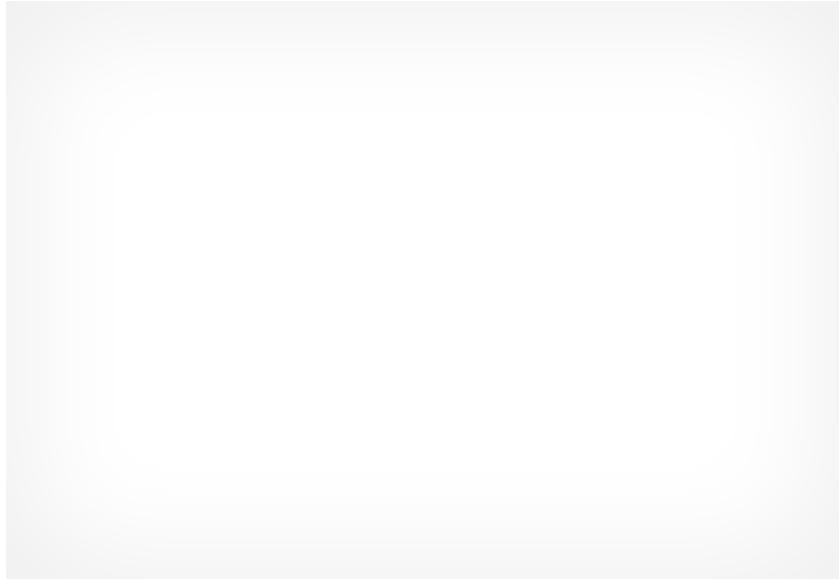
Soon after becoming California's eighth insurance commissioner, Ricardo Lara organized a reelection committee that began accepting tens of thousands of dollars in political contributions from people with ties to companies he regulates, campaign disclosures show.

The donations, which are not illegal, contradict a pledge Lara made in the run-up to the 2018 election that he would reject contributions from the insurance industry.

Lara, a graduate of San Diego State University who served eight years in the California Legislature prior to his narrow win in November, reported accepting more than \$50,000 in donations in recent months from insurance company executives and their apparent spouses, according to a San Diego Union-Tribune analysis of campaign funding data.

The contributions are questionable because regulators are not supposed to accept donations from people with business before the agency. Previous insurance commissioners historically have declined to accept political donations from interested parties.

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Lara, 44, did not respond to questions about the contributions. Instead he issued a brief statement suggesting that constituents should evaluate his record of regulatory oversight rather than the sources of campaign donations.

"I am proud of my record, and I hope to be judged by the public policy decisions I make as they affect injured workers and their families," the statement said in full.

Lara is listed in state elections records as the treasurer of his own campaign, meaning he is responsible for vetting donations that may be contributed by individuals who may have business pending before the California Department

of Insurance.

The California insurance commissioner is a powerful elected position that oversees the largest insurance market in country. The California Department of Insurance regulates more than \$310 billion in annual policies for homeowners, drivers, employers and other groups of consumers.

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Consumer advocates criticized Lara for breaking years of precedence by accepting donations his predecessors rejected, or at least returned when the contributions were brought to their attention.

“You shouldn’t be taking money from the industry that you regulate,” said Carmen Balber of Consumer Watchdog, a public-interest nonprofit in Los Angeles that helped rewrite California’s insurance regulations when it passed a 1988 initiative restructuring the rate-setting process.

“The insurance commissioner’s office has a decades-long tradition of refusing money from the insurance industry,” said Balber, who urged Lara to return the donations. “Since Chuck Quackenbush resigned in disgrace, no commissioner -- Democrat or Republican -- has been elected to that office after taking insurance industry money.”

Quackenbush served as California insurance commissioner between 1995 and 2000. He left office after being accused of favoring insurance companies over ratepayers.

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According to the Secretary of State's Office, Lara received \$15,500 in contributions from Theresa DeBarbrie of Ocean City, N.J., who is described in campaign disclosures as an administrative coordinator at a nursery school in New York City.

DeBarbrie is married to Carl DeBarbrie, a principal at Remco Insurance Agency in Hempstead, N.Y. Carl DeBarbrie confirmed in a telephone interview that his firm does business in California, and he was aware of the donation from his wife.

He declined to say why they made the contribution or respond to other questions. "I'll have to get back to you on that," he said.

Election filings show that much of the money Lara has accepted in recent months came from donors with ties to Applied Underwriters, a workers' compensation insurer that is part of a proposed transaction that requires the approval of the California insurance commissioner.

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Lara reported \$31,000 in contributions from Stephen Acunto and his wife, Carole. Acunto is president of CINN Group, a New York publishing and financial services firm. Acunto, who also has served as a spokesman for Applied Underwriters, did not respond to questions about his political donations.

The donations from the Acuntos to Lara came on April 30, one month before Applied Underwriters alerted the California Department of Insurance that the company was in the process of being sold.

State regulators have 60 days to approve the sale or schedule a hearing — a deadline that would come due July 30 based on the Applied Underwriters statement. But Deputy Insurance Commissioner Michael Soller said the clock does not start ticking until the application is deemed complete.

"That timeline has not yet started related to the publicly announced sale of Applied Underwriters, so the July 30 date is not correct," Soller wrote in response to questions about why the commissioner accepted campaign funds from an

executive related to a company with business before the department.

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According to Applied's 9-page filing, the buyers plan to expand the company by entering the wildfire home-insurance market and marketing workers' compensation policies to employers in the cannabis industry.

Lara serves as chairman of the Cannabis Insurance Working Group of the National Association of Insurance Commissioners, according to an agenda from its May conference call.

Applied Underwriters, which did not respond to questions about the political contributions made to Lara's reelection campaign, has a record of misleading customers.

Three years ago, when Dave Jones was the state's top insurance regulator, the California Department of Insurance halted sales of workers' compensation policies by Applied Underwriters after a linens company complained of being "baited and switched."

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Applied, which is owned by Berkshire Hathaway, settled with regulators in 2017, agreeing to lower rates and to make broader disclosures to ratepayers.

The Lara for Insurance Commissioner 2022 Committee also reported a \$7,800 contribution in April from Darlene Gruber, who is identified as a homemaker from Austin, Texas.

Public records show Darlene Graber shares an address in the Austin suburb of Leander, Texas with Larry Graber, a senior executive at Independence Holding Co., a conglomerate that owns and operates several insurance companies.

The Grabers did not return messages seeking comment on the political donations.

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In total, the Union-Tribune identified \$54,300 in political contributions to the Lara reelection committee from insurance industry executives or their apparent spouses. So far this year, the committee has reported a total of \$69,800 in donations.

Lara became the first openly gay politician elected to statewide office when he prevailed in a closely contested campaign last fall. In the run-up to the election against former Insurance Commissioner Steve Poizner, who ran as an independent, Lara, who won the contest by about 5 percentage points, pledged throughout his 2018 campaign not to accept campaign money from insurers.

Earlier last year, when Lara was competing for the Democratic Party nomination for state insurance commissioner, he accepted \$50,000 from medical-malpractice firms and other insurers.

His campaign pledged to return the funds when the contributions were reported, ahead of the 2018 primary election. The Union-Tribune could find no evidence in Lara's subsequent campaign reports that the money had been refunded.

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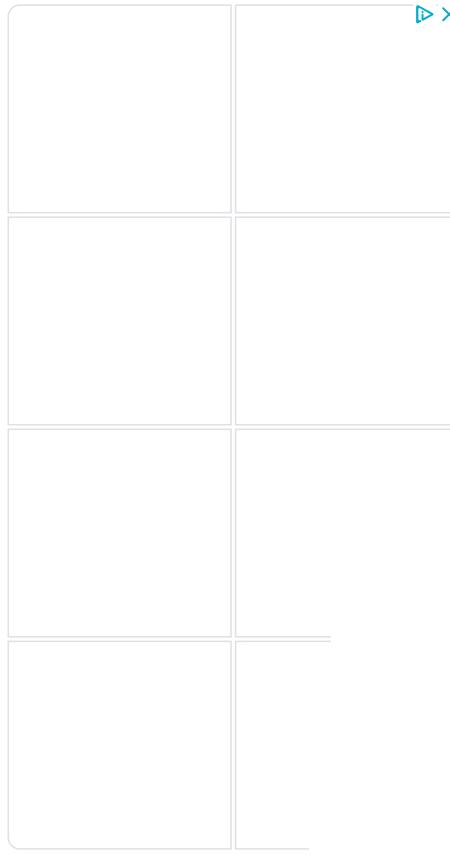
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